

Analysing the future of Broad-Based Black Economic Empowerment through the lens of small and medium enterprises



Authors:

Angela Pike¹
Juliet Puchert¹
Willie T. Chinyamurindi¹

Affiliations:

¹Department of Business Management, Faculty of Management and Commerce, University of Fort Hare, South Africa

Corresponding author:

Willie Chinyamurindi,
willie.chinyamurindi@
webmail.co.za

Dates:

Received: 24 Oct. 2017
Accepted: 09 Jan. 2018
Published: 21 June 2018

How to cite this article:

Pike, A., Puchert, J. & Chinyamurindi, W.T., 2018, 'Analysing the future of Broad-Based Black Economic Empowerment through the lens of small and medium enterprises', *Acta Commercii* 18(1), a566. <https://doi.org/10.4102/ac.v18i1.566>

Copyright:

© 2018. The Authors.
Licensee: AOSIS. This work
is licensed under the
Creative Commons
Attribution License.

Read online:



Scan this QR
code with your
smart phone or
mobile device
to read online.

Orientation: The current Broad-Based Black Economic Empowerment (BBBEE) legislation imposes direct obstacles on small and medium enterprises (SMEs) in South Africa (SA). Thus, the perceptions of SMEs on the future of BBBEE elucidate the effect of the legislation on the economy and its operating industries.

Research purpose: The study had an objective of comprehending the future of BBBEE and its effect on the SA economy and operating industries through the perceptions of SMEs.

Motivation for the study: The study's objective provided new insights and a profound understanding of BBBEE and its influence on the economy and operating industries.

Research design, approach and method: The research followed a qualitative discipline with the use of a semi-structured interview to collect the empirical data. The study consisted of 22 participants, with one participant being excluded because of omissions identified.

Main findings: The findings exemplified that BBBEE was promoting tender corruption and economic strain. Thus, the participants emphasised a restructured BBBEE model for the future.

Practical and managerial implications: The findings invite policymakers to restructure the current BBBEE legislation so that it could promote equality. Furthermore, SMEs could relate to the industry effects and implement strategies to manage such effects on their businesses.

Contribution or value-add: The findings contribute towards new research insights that determine the future of BBBEE.

Introduction

Broad-Based Black Economic Empowerment (BBBEE) has become not only an emerging obstacle for small and medium enterprises (SMEs) in South Africa (SA), but it is currently one of the leading issues on the SA government's agenda (Kruger 2011). The core issue surrounding BBBEE SMEs is being BBBEE compliant (Chingwaru 2014). Measures such as BBBEE are directed at overcoming the legacy of apartheid (Chingwaru 2014; Kruger 2011). The Department of Trade and Industry (DTI) (2016a) indicates that the aims of this particular strategy are focused at ensuring that the inequalities from the past are overcome, where the strategy ensures that there is a significant increase in the quantity of black individuals who have ownership and control of new and existing enterprises. The objectives of the BBBEE strategy also include increasing the number of black people in executive and senior positions as well as ensuring increased income levels of black individuals within qualifying BBBEE companies (DTI 2016a; Republic of South Africa 2014).

The DTI (2016a) mentions that all qualifying companies are encouraged to comply with the legislative compliance requirements of BBBEE, through the BBBEE scorecard to contribute towards social justice in SA. Subsequently, BBBEE compliance has both advantages and disadvantages for all SMEs where the benefits comprise financial gain and the shortcomings consist of administrative obstacles (Oosthuizen & Naidoo 2010; Van der Nest 2004). Furthermore, organisations that execute BBBEE compliance practices are required to obtain a BBBEE certificate that provides proof of their BBBEE compliance to apply for tender opportunities in the public sector of the SA economy.

Reuben and Bobat (2014) recognised that there is limited academic literature on the transformation of SA and several gaps exist with regard to BBBEE and its effects. Thus, it is notable that there are limited local studies conducted on BBBEE within SMEs in SA (Janse van Rensburg & Roodt 2005; Moloto, Brink & Nel 2014; Oosthuizen & Naidoo 2010). Popular research topics based on current

research comprise Employment Equity (EE), Black Economic Empowerment (BEE) and Affirmative Action (AA) and not specifically BBBEE. Furthermore, there is a need to understand the role of such legislation qualitatively, as this has been argued to help understand experiences holistically in assisting to make sense of this (Chinyamurindi 2012, 2016, 2017). Therefore, this study aimed at analysing the future of BBBEE through the lens of SMEs in East London, SA.

Theoretical framework

The theoretical framework comprises the theory of justice, SMEs and BBBEE. The three concepts are imperative as they are interconnected, in that the BBBEE legislation is the result of the social injustices of the past and such injustices are affecting SMEs in the SA economy.

Theory of justice

Social justice is predominately expressed as the human rights, equality and democracy of an economy (Rawls 1999; Theoharis 2007). It is the process of inheriting equity and fairness, which is primarily identified by the governmental systems that formulate and implement the fundamental rights of an economy (Rawls 1999). Ultimately, these governmental institutions determine the division of social advantages of an economy and influence the rights and life expectations of all citizens (Rawls 1999).

In SA, the apartheid era resulted in copious social injustices in employment opportunities within the SA economy (Esterhuizen & Martins 2008). However, the post-apartheid government, the African National Congress (ANC), aimed at transforming the economy by placing imperative emphasis on equal rights for all (Human 2006). Broad-Based Black Economic Empowerment is an example of one of the policies that has been implemented to maximise the country's citizens' worth. The BBBEE policy was formulated with beneficial intentions for the economy, yet the implementation and achievement of its goals may only remain a figment (Burger & Jafta 2010; Human 2006). Pooe (2013) suggests that government cannot rely on SA citizens to self-regulate for the implementation of such a critical transformational policy and furthermore recognises that the emphasis of equality from the Constitution of South Africa may not be the best method to achieve social justice (Pooe 2013).

Small and medium enterprises

There are two terms used interchangeably within the business sphere in SA, namely, SMEs and small, medium and micro enterprises (Love & Roper 2015). According to Le Fleur et al. (2014), SMEs in SA are recognised as registered enterprises with fewer than 250 employees. Small and medium enterprises comprise micro, very small, SMEs (Van Wyk 2010). Micro enterprises are businesses that have fewer than 5 paid employees, and very small enterprises have fewer than 10 paid employees. Small enterprises consist of fewer than 50 paid employees while medium enterprises

have a maximum of 100 employees, except in certain industries where the limit is 200 employees (DTI 2017; Gordhan 2013). Furthermore, large enterprises are also necessary for economic growth; they comprise more than 250 employees (Amra, Hlatshwayo & McMillan 2013; Kushnir, Mirmulstein & Ramalho 2010).

Cant and Wiid (2013) identified that without small businesses, the economy would not prosper. Small and medium enterprises not only contribute towards economic growth but also act as key drivers for empowering previously disadvantaged groups through BBBEE. They do this by bringing previously disadvantaged individuals (PDIs) into the economic mainstream (Musabayana 2012). Lekhanya (2015) identified that SMEs comprise 90% black businesses and furthermore donate to over 50% of black employment and the gross domestic product. Small and medium enterprises currently make up 91% of all formalised business in SA and employ an estimated 60% of the labour force (The Banking Association South Africa 2017). Furthermore, the National Development Plan predicts that by 2030 there will be 90% of new jobs created in small and expanding firms (National Youth Policy 2015).

Small and medium enterprises in SA have been immensely impacted by BBBEE, which expects companies to place a higher emphasis on investment in black ownership and control (Steyn 2015). The impact will not be on large companies such as those listed on the JSE; instead, the impact will be felt by smaller companies because of transformation not being easily measured within small enterprises compared to large enterprises. Business leaders urge that the *Broad-Based Black Economic Empowerment Act* be reviewed as a result of the fact that it has failed to meet its objectives (Benjamin 2014; Luiz & Gaspari 2007). Furthermore, Benjamin (2014) recognised that both black and white business leaders have identified that the policy has failed, and its legislation has done nothing to support small businesses. The SA government requires all qualifying companies to comply with the BBBEE legislation and will only support those who are BBBEE compliant. Furthermore, Chingwaru (2014) recommends that there be a review and modification of the BBBEE legislation to become investor-friendly. Furthermore, Small Business Project (SBP 2015) and Love and Roper (2015) identified that SMEs are the largest employers on a global scale. Therefore, BBBEE strategy management is imperative in contributing towards the success rate of SMEs.

Broad-Based Black Economic Empowerment

According to the DTI (2016b), BBBEE entails the empowerment of all black people in SA. The term 'black people' does not just refer to the black race. Van Wyk (2010) defines it as black people, mixed race and Indians. Furthermore, the DTI (2016a) includes women, workers, youth and citizens with disabilities and those living specifically in rural areas within the definition. The definition

of the term 'black people' is essentially aimed at PDIs affected by apartheid. The current SA government implemented BBBEE as an economic makeover where the policy allows for an increase in the number of black people who manage and own enterprises in the country while decreasing the inequalities that exist in income (Emuze & Adam 2013; Tait 2012).

It has been suggested by some, that reverse apartheid has caused the white minority to become disadvantaged in the present day (King 2013). Jeffery (2013) established that even though many SA citizens criticise the BBBEE legislation, the ANC government still seems more determined than ever to implement the policy more punitively. Jeffery (2013) identified that no amount of effort would make the policy work because resources such as skills, capital and entrepreneurship efforts had become scarce. The SME sector had been identified as the apparent saviour of the SA economy, but the BBBEE legislation had left them pressured and frustrated (Chingwaru 2014). Furthermore, Wehmhoerner (2015) recognised that BBBEE is not contributing towards overcoming the inequalities of the past.

Uppal (2014) identified that there is slow progress of the BBBEE legislation since the apartheid era. The measurement of BBBEE progress within the economy has merely been on estimates where these estimates vary widely in some cases. Kasuto's (2009) research yielded the results that there is little evidence of monitoring and evaluation framework specifically for BBBEE in SA. De Klerk (2008) identified that policies generally fail because of their unsuccessful formulation and implementation. The measurement of BBBEE should consist of a model that can identify the actual meaningful progress that has been made. A set of indicators should be established specifically for an effective BBBEE monitoring and evaluation system (Kasuto 2009). Thus, a vast number of black citizens remain destitute (Uppal 2014).

There is recognition that implementing BBBEE remains a controversial topic among researchers, policymakers and the citizens of SA (Baloyi 2012; Ngwenya 2007; Pooe 2013). According to Acemoglu, Gelb and Robinson (2007), arguments exist that lean in both directions as to whether BBBEE is beneficial to or corrupting the economy. They identified that BBBEE does not seem to have any significant effect on firm investment, labour productivity and profitability. It was essentially identified that BBBEE, in fact, has a negative impact on investment as well as productivity. Furthermore, Kleynhans and Kruger (2014) recognised that BBBEE is impacting businesses negatively because of the high costs associated with BBBEE compliance. Though BBBEE critics view BBBEE as a corrupt scheme, positivists have identified that it is contributing towards a sense that all SA citizens belong to one community, although it does not include the redistribution of wealth and bourgeois lifestyles (Thabe 2010), thus empowering PDIs to have opportunities to compete with all the race groups of SA equally.

Purpose and primary objective

The purpose of this research was to gain a profound comprehension of the future of BBBEE through the lens of SMEs. Subsequently, the research question is as follows: 'What is the future of BBBEE through the lens of SMEs?' In pursuing the answer to this research question, implications arose for both policymakers and business owners.

Research method and design

The research followed the interpretivist paradigm and the exploratory research design. Consequently, based on the selected research paradigm and design, the qualitative research approach was chosen. Qualitative research involves opinions and perspectives and permits for our understanding and knowledge to be heightened on such a topic (Kumar 2011). The selected research method and design allowed for the future of BBBEE to be comprehended based on the perceptions SMEs. However, the findings cannot be generalised because of the nature of the qualitative approach (Kumar 2011).

Sampling and data collection

The semi-structured interview was employed to obtain the primary data. The semi-structured interview allowed for similarities within the sample unit to be identified (Merriam 2009). The same questions were repeated in each interview, and probing techniques were applied, where necessary, to aid in-depth responses (Grinnell & Unrau 2011). The research adopted the non-probability technique, snowball effect. The snowball technique initiated with Company A, who identified referrals. This continued until the sample size was achieved.

According to Andrews (2007), Moloto et al. (2014), Oosthuizen and Naidoo (2010) and Pheko (2014), a sample size of respondents between 10 and 30 was popular for interviews. Furthermore, Dworkin (2012) recognised that the recommended sample size is among 25–30 participants when conducting in-depth interviews. Therefore, for this study, the sample size consisted of 20–25 participants with a total of 22 participants attained. Only the owner of each company was interviewed. One participant was excluded because of omissions in identifying their BBBEE status. The population identified consisted of BBBEE-compliant enterprises, and the sample comprised BBBEE-compliant SMEs. The sample was not limited to white-only BBBEE-compliant enterprises and took into account, through the snowball sampling technique, black-owned BBBEE enterprise referrals too. Table 1 illustrates the participants in the study.

Reliability and validity

Reliability of data is established when the same results occur consistently and when it can be replicated by another researcher (Braun & Clarke 2013). It essentially captures reality. Validity of qualitative research can be affected by the investigator's selection of the study's paradigm (Golafshani 2003). To ensure data credibility and applicability, once the interviews were

TABLE 1: Participants of the study.

Pseudonym	Industry	Number of employees	BBBEE level	Business size	Annual turnover	Years of operating
Company A	Construction	6	4	Small	Average 6 million	26
Company B	Construction	13	1	Small	Above 10 million	9
Company C	Service	110	4	Small	Not stated	8
Company D	Plumbing	3	4	Small	Not stated	6
Company E	Construction	55	2	Small	Not stated	40
Company F	Electrical	200	1	Medium	Not stated	15
Company G	Joinery	50	Not aware	Small	Not stated	10
Company H	Insurance	8	4	Small	Not stated	16
Company I	Construction	50	1	Medium	Not stated	17
Company J	Construction	10	1	Small	Under 50 million	14
Company K	Construction	12	4	Small	Micro exempt	25
Company L†	Construction	5	4	Small	Not stated	5 months
Company M	Manufacturing	14	4	Small	Micro exempt	17
Company N	Service	1	1	Small	Not stated	4
Company O	Automotive	50	4	Small	Not stated	10
Company P	Joinery	3	Not aware	Small	Under 10 million	16
Company Q	Construction	120	2	Medium	Not stated	19
Company R	Security	500	4	Medium	Not stated	13
Company S	Construction	193	1	Medium	75 million	19
Company T	Construction	3	1	Small	Not stated	16
Company U	Construction	250	2	Medium	Not stated	30
Company V	Construction	13	4	Medium	Under 5 million	12

Note: †, Company L was excluded from the study due to omissions identified.

BBBEE, Broad-Based Black Economic Empowerment.

completed through thorough notes and audio recording of the interviews during the note-taking, it was determined that data could stand independently. To further ensure that reliability and validity were achieved, the study was compiled in such a manner that it captured the audience's attention where they perceived the information to be rich, thus formulating their own decisions based on the findings, ensuring transferability (Creswell 2014). Furthermore, the research schedule was sent for peer review to ensure dependable and authentic interview questions, which contributed towards accurate and robust research findings and conclusions (Merriam 2009).

Coding framework and analyses

Thematic analysis was selected for data analysis because of its capability to identify, analyse and report on themes and patterns from the collected data (Braun & Clarke 2006). Thematic analysis involved three stages. Stage one consisted of descriptive coding which involved reading through the transcript, highlighting the important material and defining the descriptive codes. Stage two entailed interpretive coding comprising clustering the codes, interpreting the meanings of the clusters and then applying interpretive codes to the data set. Lastly, stage three comprised identifying the overarching themes from which the key themes of the whole data set were derived (King & Horrocks 2010). Open codes were essentially selected from the primary data collected. Stages one to three of thematic analysis can be identified in Table 2.

Ethical considerations

The researcher adhered to the institutional ethical requirements and standards. This was ensured by applying for ethical clearance (PUC041SPIK01) with the institution of affiliation, the University of Fort Hare's University Research Ethics

TABLE 2: Data analysis procedures.

No.	Stages of thematic analyses	Description
1	Descriptive coding	Read through the transcripts, highlight the important data and identify the descriptive codes.
2	Interpretive coding	Identify group descriptive codes, elucidate the meaning of the clusters and apply interpretative codes to the whole data set.
3	Overarching themes	Develop key themes of entire data set and assemble a diagram that represents the associations of codes.

Committee, prior to data collection and analyses. Furthermore, because this study comprised primary data collection through in-depth interviews, no physical harm was inflicted on the participants. The participants were provided an informed consent form at the start of the interview. Anonymity and confidentiality were also respected. This study involved voluntary participation, and the participants were given pseudonyms to ensure anonymity. To ensure confidentiality, the participants' information was not released.

Results

Based on the findings the participants revealed three main themes. The themes include (1) BBBEE and the SA economy, (2) BBBEE's effect on industries and (3) the future of BBBEE. The main themes further comprised sub-themes, which elucidate the main themes identified. Table 3 illustrates the themes and the initial codes of the study. The results include the quotations from the participants, keeping in mind that although 22 participants participated, only 21 participants' data were utilised for data analysis.

Broad-Based Black Economic Empowerment and the South African economy

The participants revealed that BBBEE is resulting in economic strain, mixed economic outcomes and economic progression.

TABLE 3: Initial codes and themes.

Initial codes	Themes
Economic growth	BBBEE effect on South Africa
Economic hostility	
Economic decline	
Tender distribution	BBBEE influence on industries
Industry growth	
Equality	
Funding	
BBBEE restructuring	BBBEE future
BBBEE monitoring	
'Stay as is'	
'Can it'	

BBBEE, Broad-Based Black Economic Empowerment.

The findings initially illustrated that BBBEE was increasing the number of incompetent companies, skewing the economy and promoting tender corruption. Broad-Based Black Economic Empowerment companies were being awarded tenders even though they did not fit the criteria. The corresponding responses from the participants are illustrated below.

Company A:

'We have often been called upon to take over major projects that have not followed through because they are pushing the BBBEE story and the Black BBBEE companies are not capable of doing the work. They're coming along with all these fancy titles, and then we are charging extra to go and repair their mess because overall they [have] not been given the support by the government.' (Participant A, small business, construction industry)

Company A identified that certain BBBEE companies do not have the necessary skills and competence to conduct the tasks and failed, therefore, resulting in company A having to take over and complete the job correctly. This illustrated that although 100% BBBEE had been identified as the best status, these 100% BBBEE companies were not always competent and fail at executing the tender work.

Company D:

'What I have found is that for example one place I do work, a lot of us aren't getting the work there now because there are these coloured guys that aren't plumbers, not builders, they are not anything they are then using their rates to get the different BBBEE certificates and not doing the work. So, they getting everything but they don't do it so they sub-out and aren't actually doing the work and its drops the standard completely because they don't care about the quality of work that's being done.' (Participant D, small business, plumbing industry)

Company D identified that certain BBBEE companies had been created only for BBBEE purposes and had been gaining the tenders because of their level one BBBEE status. However, these newly established BBBEE companies do not have the skills to complete the job and instead sub-contracted competent companies to do the work, thus illustrating tender awarded to companies that do not fit the criteria.

Company G:

'I think it is bringing the economy down. It's closed a lot of businesses.' (Participant G, small business, joinery industry)

Company G felt that the government was suppressing the economy and closing businesses at the same time based on the current BBBEE legislation implementation ramifications.

Company Q:

'I think what they trying to do is good, doesn't always work because I still think there is a lot of corruption and you can tender for a job and you may be BBBEE compliant and somebody who isn't who shouldn't be tendering will still get it. So politically it depends on the motivation and who is involved. The idea of it is good but I'm not sure if it is working or not.' (Participant Q, medium business, construction industry)

Though company Q first mentioned that BBBEE was attempting to benefit the economy, they further stated that it was, however, having an adverse effect on the economy. An adverse effect in the sense that corruption was rife within the tendering process. Though the tendering process was supposed to be a fair one, company Q had identified that companies that should not have been awarded the tenders were being awarded them, ultimately illustrating economic strain.

Secondly, some participants illustrated mixed perceptions on BBBEE. It was identified that although BBBEE was providing opportunities for PDIs, it was also attracting tender corruption, increased business costs and an increased incompetence. Below are the quotes of the participants.

Company B:

'I think it is making it more skewed. I don't see how it is really benefiting everyone. At the end of the day you still got to know what you doing. That's the bottom line. I think it is just trying to offer previously disadvantaged opportunities. But at the end of the day you still got to know what you doing.' (Participant B, small business, construction industry)

Company B perceived BBBEE to be making the SA economy more skewed instead of overcoming the social injustices of the past. They did not see how the legislation was benefiting the economy, though it was offering PDIs opportunities they had never had. Therefore, company B identified that although BBBEE might be skewing the economy, it was still providing opportunities for disadvantaged groups.

Company I:

'Yes, I think there is big difference since 1994 because lots of people who didn't have houses have houses and water and electricity. But in terms of BBBEE and how it effects the man on the street is you have to get so many people employed and you have to show for that number. So, it does effect.' (Participant I, medium business, construction industry)

Company I recognised that BBBEE was positively impacting the previously disadvantaged; however, in business, BBBEE

was negative because of the number of people needed to be employed to show that the company was abiding by the BBBEE regulations.

Lastly, one participant perceived BBBEE to contribute towards economic growth. It was perceived that although many identified BBBEE as being unfair, it was bringing about equality and was a fair system. Below is the identified quotation of a participant.

Company H:

'I feel it's there to be free. It's there to equalise us and as long as you comply and everybody is on the same page well then you know everyone is working off the same plate.' (Participant H, small business, insurance industry)

Broad-Based Black Economic Empowerment effect on industries

The participants revealed that BBBEE was influencing tender corruption, industry growth and an industry skills problem. The main influence BBBEE had on SMEs based on the participants was an increase in tender corruption. Firstly, tender corruption was rife within all industries where there was incompetence in conducting the project and uncontrolled spending of tender capital. Below are the study's participants' responses to verify the above findings.

Company E:

'It's taken us 30 years to build a company and it takes someone just to go register a company under BBBEE and we all tender on the same job and I lose but my price is right but I lose because I don't have the BBBEE points and he gets paid upfront first of all and goes and buys himself a Merc.' (Participant E, small business, construction industry)

Company E found it unfair how they had taken several years to build their company into a successful one and a PDI could easily gain a BBBEE certificate and win a tender in a period of a year. However, these newly built BBBEE companies were gaining tenders and receiving the tender payment upfront, resulting in the companies spending the capital on personal items instead of on the tender project itself.

Company J:

'Its uplifting us as individuals but at the end of the day when we submit tenders as I said people with lower scoring especially in BBBEE still seem to be winning quite a lot of work.' (Participant J, small business, construction industry)

Company J first identified that BBBEE was uplifting the SA citizens; however, they further mentioned that BBBEE companies with a lower BBBEE score were still being awarded tenders even though the BBBEE company with a higher BBBEE score was supposed to be awarded the tender.

Company T:

'It costs the industry because they have to bring guys in and pay them health to get their ownership which weren't there.'

So, I think it's a cost. They are bringing people they didn't previously need for these contracts.' (Participant T, small business, construction industry)

'...But at the same time, you are empowering them and giving them a gap to get into those places.' (Participant T, small business, construction industry)

Company T firstly perceived the construction industry to be contributing towards corruption where PDIs were being brought into contracts that were not necessarily needed. They were only needed for BBBEE purposes. Though this was a negative, company T further identified that BBBEE was empowering these individuals that had been brought in for BBBEE purposes as they would not have been employed if it had not been for BBBEE.

Company V:

'Oh, it's corrupt at hell. Probably one of the most industry there is, well all industries are. Various people get work and jobs that they shouldn't be getting.' (Participant V, medium business, construction industry)

Company V generalised by saying that all industries were corrupt in the sense that certain BBBEE companies were being awarded tender work they could not conduct.

Secondly, some participants identified that BBBEE was impacting the industry in a positive manner where it was allowing PDIs to be employed, empowering them. Furthermore, it was also financing certain companies with regard to equipment and their establishment. The following quotations were responses from the participants of the study.

Company B:

'From personal experience, it has helped me with equipment funds from being BBBEE we get 50% paid for the equipment. It has helped us in becoming more versatile. We can offer more products and increase our production.' (Participant B, small business, construction industry)

Company B had benefited tremendously from BBBEE by having 50% of the equipment costs met. Hence, their company did not need to spend all their profits on purchasing equipment. They could, therefore, spend more time on manufacturing products.

Company I:

'It encourages to employ more Black people, more females and disabled people.' (Participant I, medium business, construction industry)

Company I identified that BBBEE had encouraged companies to employ an increased number of the previously disadvantaged groups, which ultimately uplifted the economy.

Company S:

'If you look at CIDB we are being graded we are fortunately one just below the big guys a level nine.' (Participant S, medium business, construction industry)

'They say if you are a BBBEE company, a previously disadvantaged company like us you can come in and beat the big guys.' (Participant S, medium business, construction industry)

Company S was registered on the Construction Industry Development Board (CIDB) with which all construction companies should be registered. The CIDB was allowing company S, which was a previously disadvantaged company, to tender against companies that were in a higher CIDB category than they were. Only previously disadvantaged companies were selected for such tenders. This was providing an increase in opportunities for previously disadvantaged companies within the construction industry.

Lastly, it was identified that there was a major lack of skills and experience within the industries. This resulted in BBBEE companies gaining work and soon after failing.

Company C:

'Honestly it is not benefiting the industry, most companies that are BBBEE compliant more than level four are getting the business, but they are as they getting the business their companies are closing down. They might be compliant with BBBEE, but all their other aspects of the business are failing hopelessly.' (Participant C, small business, service industry)

Company C perceived that BBBEE was not benefiting the industry. Companies were gaining the work but were then losing the work and failing at the tasks just as fast. This illustrated that the company had either no skills or no experience in that specific trade resulting in their business failing and collapsing.

Company F:

'...A guy would pay R20 000 R30 000 to have a BBBEE certificate so he can submit for a tender and nine out of ten he gets the work but he doesn't have the expertise and the experience, he is just an entrepreneur who has just started up and goes and messes up.' (Participant F, medium business, electrical industry)

Company F identified that BBBEE-created companies were being awarded tenders but did not have the skills and experience when executing the work.

Future of Broad-Based Black Economic Empowerment

The participants distinguished that the BBBEE legislation necessitates restructuring. Few participants identified that the legislation should remain as is. The participants indicated that BBBEE needs to be rewritten in order to equalise the economy and provide equal opportunities for all. Below are the corresponding responses from the participants.

Company K:

'Probably rewritten. I don't think its benefiting the average person working. I don't think it should be thrown away.' (Participant K, small business, construction industry)

Company K identified that the BBBEE legislation should be rewritten as it was not benefiting the average working individual. Thus, it is not achieving its indicated objectives.

Company M:

'The future of our country in general is pretty bleak so I'm hoping they find a way that it really benefits business because at the moment it's not about skin colour, it doesn't benefit business and at the end of the day Black, White pink, purple, we run on money the whole country runs on money and if we don't have money we are going to fail. So, they need to restructure if they want it to work because the way it is going now it's not going very well.' (Participant M, small business, manufacturing industry)

Company M mentioned that BBBEE must be restructured as it was not working the way that it was intended. It should be restructured so that it could benefit all the SA citizens equally and not just a selected few.

Company N:

'Rewritten in terms of everybody benefits at the end of the day and not just one race.' (Participant N, small business, service industry)

Company N wanted to see BBBEE rewritten as it needed to benefit all the SA citizens and not just one race of disadvantaged individuals.

Company O:

'It has to be rewritten. That's my take on it.' (Participant O, Automotive industry, BBBEE level 4)

Company O strongly stated that the legislation needed to be rewritten, finally.

Company P:

'Not necessary rewrite but get some plans in place that allows properly qualified people to do the jobs they are there to do.' (Participant P, small business, Joinery industry)

Company P identified that BBBEE did not need to be rewritten, but the implementation of the legislation needed to be modified in such a manner that work was allocated to competent companies that could execute and complete a project.

Company U:

'I certainly hope especially in the construction industry that they would settle down and become and find a model we can all work from and stay focused on you know, it changed far too often and too quickly.' (Participant U, medium business, construction industry)

Company U wished to see a BBBEE model that did not continuously change. A model that all could adopt in the construction industry and stay focused on.

Lastly, two participants illustrated that BBBEE should remain as is. These participants mentioned that the legislation should

stay how it was as they had become familiar with the BBBEE procedures to be followed.

Company A:

'As we micro exempt and our turnover is under R10 million per annum we are quite happy for it to stay as it is as we are not going to lose any work because they have increased the limit. It's a short sighted ideal because they have to give the people the training.' (Participant A, small business, construction industry)

Though company A identified that BBBEE was not a long-term ideal, they further added that because of their status of micro-exempt, BBBEE could remain the way it currently was as they were not going to lose work.

Company R:

'I think for now it should stay as is because everybody knows that's the procedure of doing it.' (Participant R, medium business, security industry)

Company R was familiar with the BBBEE legislation implementation and identified that all companies were now familiar with the legislative requirements resulting in their response that BBBEE should remain the way it was.

Discussion of findings

The purpose of this article was to explore the future of BBBEE through the lens of SMEs. This objective was achieved, and the results illustrated richness and credibility. The three main themes identified comprised (1) BBBEE and the SA economy, (2) BBBEE's effect on industries and (3) future of BBBEE. Firstly, the research findings identified that the SA economy is largely impacted by the current BBBEE legislation in place. According to the participants, BBBEE mainly inflicted economic strain with few participants identifying conflicting views on the legislation, thus illustrating that the social injustices of the past are still rife and are not being overcome by such legislation. Secondly, it was identified that BBBEE does not only impact the economy but also further influences the operating industries in SA. The participants illustrated that there was an increase in tender corruption within the industries as well as an increase in the number of incompetent BBBEE-owned enterprises. Furthermore, few participants recognised that BBBEE was endorsing industry prosperity through the empowerment of PDIs, ultimately permitting adverse effects on economic progress. Thirdly, the future of BBBEE, according to the participants, necessitates restructuring. The legislation should be restructured to eliminate tender corruption and equally benefit all individuals in SA.

It was identified that similarities between the research findings and the literature existed. However, the research findings validated the lack of research on such a topic. This emphasised the significant contribution of the research findings that were able to bridge the gap. The findings of this study identified that the BBBEE legislation was, in fact, causing economic strain and not overcoming the social injustices of the past. These findings were similar to

those of Wehmhoerner (2015), who illustrated that BBBEE was not evolving SA and was not contributing towards defeating the inequalities of the past. Andrews (2007), Thabe (2010) and Uppal (2014) similarly identified that BBBEE was uplifting and advancing PDIs; however, the research findings of this study stressed that PDIs were being empowered by gaining opportunities they did not previously have.

Uppal (2014) further illustrated that the BBBEE legislation was restricting economic growth. However, only one participant identified that BBBEE was contributing towards readdressing the injustices of the past. Juggernath's (2010) findings suggested that BBBEE had significantly improved SA since 1994. However, the findings of this study did not yield similar results. The results illustrated that BBBEE was causing economic strain because of the corruption involved. With regard to the future of BBBEE, the findings recognised that the BBBEE legislation needed to be restructured as well as implemented and evaluated correctly. These findings were similar to those of Kasuto (2009). Kassner (2015), furthermore, identified that BBBEE needed to be altered. Consequently, these findings contribute towards an increase in empirical data on such a topic.

Contribution of the study

The findings provided an innovative methodology for analysing the future of BBBEE through the lens of SMEs. The study identified what SME owners perceived about the legislation and its overall effect on the SA economy and its operating industries. With SMEs being the engine behind economic growth, it was crucial to understand how current legislation was impacting them. Therefore, this study made a theoretical contribution to an increased understanding of BBBEE and the legislations' influence on the SA industries and the overall economy. It was identified that there was a lack of research on specifically BBBEE within the qualitative discipline where previous research conducted comprised BEE, EE or AA, none specifically entailing the future of BBBEE through the lens of SMEs (Janse van Rensburg & Roodt 2005; Moloto et al. 2014; Oosthuizen & Naidoo 2010).

Therefore, these research findings significantly contributed towards an increased amount of data based on SME perceptions of BBBEE within the academic domain. Not only did the findings significantly contribute towards the academic domain, it also validated existing research findings which further illustrated the reliability of this study's research findings. Furthermore, the study was methodically innovative with the researcher employing thematic analysis to comprehend and evaluate the data. More so, data collection took place using the semi-structured, face-to-face interview. The interviews allowed for deeper insight and understanding of the participants' responses and their attitudes towards certain questions. The use of the qualitative research design was more appropriate for collecting data on perceptions and experiences than quantitative research.

Implications for policymakers and business owners

Based on the research findings, implications arose for policymakers. Implications arose when the research findings illustrated participants' perceptions of the future of BBBEE, which are imperative for policymakers to be conscious of. Firstly, the research findings identified that the participants of the study recommended restructuring of the BBBEE legislation because of enterprise incompetency and corruption. Therefore, it is necessary for policymakers to consider the effect of BBBEE on the economy and on its industries; they need to be open to continuous evaluation of the progress of the legislation. Policymakers need to take into consideration a new BBBEE policy that is abreast of the times and the changing economic conditions and demands. A reformed BBBEE policy is essential that focuses on both educating and developing current and future business owners instead of a model that is increasing tender corruption and resulting in economic strain.

It was important that BBBEE should not be eliminated though as it has the potential to contribute towards the growing middle-class and economic growth (Juggernath 2010). If policymakers reviewed and restructured the BBBEE scorecard elements per current economic needs, taking all races into consideration, it would contribute towards a decrease in corruption and fronting practices and an increase in the growth of SMEs.

Additionally, implications arose for SME owners. Small and medium enterprise owners who implement BBBEE into their businesses could pursue and relate to these findings and consider formulating and implementing strategies to manage the effects of BBBEE. These findings could further prepare future SME owners on the effects of BBBEE in their various operating industries. Therefore, these results are essential for SME future and current owners to ensure strategy implementation for long-term success. The results could further lead to the formation of an SME forum where businesses could share their industry experiences of BBBEE and further identify techniques to overcome such effects.

Limitations

The research encountered certain limitations. Firstly, analysing the future of BBBEE through the lens of SMEs posed as a limitation because of there being no investigation on the perceptions of large-enterprise owners towards the future of BBBEE. Secondly, from the study only being conducted in East London in the Eastern Cape, the results cannot be generalised. Thirdly, the selection of the sampling technique was a limitation because of the snowball technique not allowing for the selection of respondents per the researcher's choice. Lastly, limitations raised during the data collection of the study comprised difficulties with gatekeepers, also known as receptionists, as they would not allow communication with the business owners.

Future research

Future research suggested includes topics such as the effect of the BBBEE pillars on SMEs or the impact of BBBEE

on SME business structures. These topics are suggested to be researched within the qualitative discipline to gain a deeper understanding of the perceptions and experiences of SME owners towards the BBBEE pillars or the effect of BBBEE on a SMEs business structure. These future topic suggestions would significantly contribute towards filling the gap that exists because of a lack of research on BBBEE and SMEs in SA.

Conclusion

This qualitative study yielded results that significantly contributed towards addressing the lack of readily available information within the academic domain on BBBEE and its effect on the SA economy and operating industries. The results illustrated that BBBEE was contributing towards economic strain and an increase in tender corruption. Thus, the participants emphasised a restructured BBBEE model for the future. The findings, therefore, indicated implications which are essential for policymakers and business owners to consider for economic growth and long-term survival. Furthermore, the findings prompt for future research entailing the impact of BBBEE on SME business structures or the effect of the BBBEE pillars on SMEs. In conclusion, the research objective was achieved which entailed ascertaining the future of BBBEE through the lens of SMEs. The research objective was attained through qualitative research methodology followed by an interpretivist paradigm and exploratory research design.

Acknowledgements

The authors sincerely appreciate the reviewers who critiqued the interview schedule prior to data collection. Their involvement contributed towards rigorous interview questions.

Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

Authors' contributions

A.P. formulated the original manuscript. J.P. and W.T.C. supervised the manuscript and contributed towards valuable academic aspects.

References

- Acemoglu, D., Gelb, S. & Robinson, J.A., 2007, *Black economic empowerment and economic performance in South Africa*, Working Paper, Centre for Economic Development, Cambridge, MA.
- Amra, R., Hlatshwayo, A. & McMillan, L., 2013, 'SMME employment in South Africa', in *Biennial Conference of the Economic Society of South Africa*, viewed 28 December 2017, from http://scholar.googleusercontent.com/scholar?q=cache:dhNssFU-QzUJ:scholar.google.com/+SMME+Employment+in+South+Africa&hl=en&as_sdt=0,5
- Andrews, M., 2007, 'Is BEE a South African growth catalyst? (Or could it be...)', Paper for the International Growth Panel Initiative, Kennedy School, Harvard University, Boston, MA.
- Baloyi, M., 2012, 'An investigation into the preferential procurement practices in South Africa: Impacts on the South African Construction industry', Master's dissertation, University of the Witwatersrand, South Africa.
- Benjamin, C., 2014, 'BEE law has failed small enterprises, say black leaders', *Mail & Guardian*, 31 January, viewed 21 March 2016, from <http://mg.co.za/article/2014-01-31-00-bee-law-has-failed-small-enterprises-say-black-leaders>

- Braun, V. & Clarke, V., 2006, 'Using thematic analysis in psychology', *Qualitative Research in Psychology* 3(2), 77–101. <https://doi.org/10.1191/1478088706qp063oa>
- Braun, V. & Clarke, V., 2013, *Successful qualitative research: A practical guide for beginners*, Sage, London.
- Burger, R. & Jafta, R., 2010, *Affirmative action in South Africa: An empirical assessment of the impact on labour market outcomes*, viewed 03 April 2016, from <http://www3.qeh.ox.ac.uk/pdf/crisewps/workingpaper76.pdf>
- Cant, M. & Wiid, J.A., 2013, 'Establishing the challenges affecting South African SMEs', *The International Business & Economics Research Journal* 12(6), 707–716. <https://doi.org/10.19030/iberv.v12i6.7869>
- Chingwaru, T., 2014, 'Impact of trade and economic liberalisation policy reforms on the operations of selected small to medium enterprises (SMEs) in Zimbabwe: A comparative study with South Africa's experiences', Doctoral dissertation, Durban University of Technology, South Africa.
- Chinyamurindi, W.T., 2012, 'Stories of career change amongst distance learners in South Africa', *South African Journal of Human Resource Management* 10(2), 1–11.
- Chinyamurindi, W.T., 2016, 'A narrative investigation on the motivation to become an entrepreneur amongst a sample of black entrepreneurs in South Africa: Implications for entrepreneurship career development education', *Acta Commercii* 16(1), 1–9. <https://doi.org/10.4102/ac.v16i1.310>
- Chinyamurindi, W.T., 2017, 'The role of information management in project management success: Narratives from entrepreneurs operating within the South African construction industry', *South African Journal of Information Management* 19(1), 1–9. <https://doi.org/10.4102/sajim.v19i1.811>
- Creswell, J.W., 2014, *Research design: Qualitative, quantitative, and mixed methods approaches*, 4th edn., Sage, Thousand Oaks, California, USA.
- De Klerk, S.S., 2008, 'A critical analysis of broad-based black economic empowerment in the mining sector', Doctoral dissertation, University of Johannesburg, South Africa.
- Department of Trade and Industry (DTI), 2016a, *BBBEE*, viewed 24 June 2016, from http://www.thedti.gov.za/economic_empowerment/bee.jsp
- Department of Trade and Industry (DTI), 2016b, *Economic empowerment*, viewed 23 June 2016, from http://www.thedti.gov.za/economic_empowerment/economic_empowerment.jsp
- Department of Trade and Industry (DTI), 2017, *National Small Business Amendment Act*, viewed 27 December 2017, from https://www.thedti.gov.za/business_regulation/acts/small_business_amendment_act.pdf
- Dworkin, S.L., 2012, 'Sample size policy for qualitative studies using in-depth interviews', *Archives of Sexual Behavior* 41, 1319–1320. <https://doi.org/10.1007/s10508-012-0016-6>
- Emuze, F. & Adlam, R., 2013, 'Implementation of broad-based-black-economic-empowerment in construction: A South African metropolitan area study', *Acta Structilia* 20(1), 126–154.
- Esterhuizen, W. & Martins, N., 2008, 'Organisational justice and employee responses to employment equity', *South African Journal of Labour Relations* 32(2), 66–85.
- Golafshani, N., 2003, 'Understanding reliability and validity in qualitative research', *The Qualitative Report* 8, 597–607.
- Gordhan, P., 2013, *Small and medium enterprises: Taxation considerations, interim report*, Davis Tax Committee, Pretoria.
- Grinnell, R.M. & Unrau, Y.A., 2011, *Social work research and evaluation: Foundations of evidence-based practice*, 9th edn., Oxford University Press, Oxford.
- Human, D., 2006, *Implementation of affirmative action and Black Economic Empowerment (BEE) in the construction industry*, viewed 04 March 2016, from http://www.icoste.org/ASAQ5_Human.pdf
- Janse van Rensburg, K. & Roodt, G., 2005, 'The perceptions of employment equity and black economic empowerment as predictors of organisation-related commitment', *South African Journal of Human Resource Management* 3(3), 49–60. <https://doi.org/10.4102/sajhrm.v3i3.77>
- Jeffery, A., 2013, 'BEE is flawed and should be scrapped', *Mail & Guardian*, 18 January, viewed 08 March 2016, from <http://mg.co.za/article/2013-01-18-bee-is-flawed-and-should-be-scraped>
- Juggernath, S., 2010, 'Communication challenges faced by employers in the implementation of the black economic empowerment policy in KwaZulu-Natal', Doctoral dissertation, Durban University of Technology, South Africa.
- Kassner, A., 2015, '"Diggin" deep into gold fields: South Africa's unrealized black economic empowerment in the shadows of executive discretion', *Cornell International Law Journal* 48, 667.
- Kasutu, O.A., 2009, 'The monitoring and evaluation framework for the broad Based Black Economic Empowerment policy in South Africa and lessons of experience for Namibia', Master's thesis, University of the Western Cape, South Africa.
- King, E., 2013, 'BEE: South Africa's great injustice', *News24*, 06 November, viewed 28 March 2016, from <http://www.news24.com/MyNews24/BEE-South-Africas-great-injustice-20131106>
- King, N. & Horrocks, C., 2010, *Interviews in qualitative research*, Sage, London.
- Kleynhans, E.P.J. & Kruger, M.C., 2014, 'Effect of black economic empowerment on profit and competitiveness of firms in South Africa', *Acta Commercii* 14(1), 1–10. <https://doi.org/10.4102/ac.v14i1.200>
- Kruger, L.P., 2011, 'The impact of black economic empowerment (BEE) on South African businesses: Focusing on ten dimensions of business performance', *Southern African Business Review* 15(3), 207–233.
- Kumar, R., 2011, *Research methodology: A step-by-step guide for beginners*, 3rd edn., Sage, London.
- Kushnir, K., Mirmulstein, M.L. & Ramalho, R., 2010, 'Micro, small, and medium enterprises around the world: How many are there, and what affects the count?', *MSME Country Indicators*, viewed 27 December 2017, from https://www.smefinanceforum.org/sites/default/files/analysis_note_2010.pdf
- Le Fleur, H., Koor, J., Chetty, V., Ntshangase, S., Mackenzie, & Rawoot, F., 2014, *Informal small medium and micro enterprises (SMME) retailers in South Africa*, ILDP, viewed 28 December 2017, from http://www.wrseta.org.za/ILDP_2014/Syndicate%201-%20Ratoon.pdf
- Lekhanya, L.M., 2015, 'Public outlook on small and medium enterprises as a strategic tool for economic growth and job creation in South Africa', *Journal of Governance and Regulation* 4(4), 412–418. https://doi.org/10.22495/jgr_v4_i4_c3_p7
- Love, J.H. & Roper, S., 2015, 'SME innovation, exporting and growth: A review of existing evidence', *International Small Business Journal* 33(1), 28–48. <https://doi.org/10.1177/0266242614550190>
- Luiz, J. & Gaspari, R., 2007, 'The indigenization of business ownership in an emerging market: Doing business in South Africa', *International Business & Economics Research Journal* 6(12), 73–90. <https://doi.org/10.19030/iberv.v6i12.3440>
- Merriam, S.B., 2009, *Qualitative research: A guide to design and implementation*, Wiley, California, CA.
- Moloto, G.R.B., Brink, L. & Nel, A.J., 2014, 'An exploration of stereotype perceptions amongst support staff within a South African higher education institution', *South African Journal of Human Resource Management* 12(1) 1–12. <https://doi.org/10.4102/sajhrm.v12i1.573>
- Musabayana, J., 2012, 'Small enterprise growth: The critical role of the owner-manager: A case study of the construction sector in Gauteng, South Africa', Doctoral dissertation, University of South Africa, South Africa.
- National Youth Policy, 2015, *The Presidency Republic of South Africa*, viewed 10 October 2017, from <https://www.gov.za/documents/national-youth-policy-2015-2020-8-jun-2015-0000>
- Ngwenya, S., 2007, 'Successes and failures of BBBEE – A critical assessment', Doctoral dissertation, University of Stellenbosch, South Africa.
- Oosthuizen, R.M. & Naidoo, V., 2010, 'Attitudes towards and experiences of employment equity', *South African Journal of Industrial Psychology* 36(1), 1–9. <https://doi.org/10.4102/sajip.v36i1.836>
- Pheko, M.M., 2014, 'Batswana female managers' career experiences and perspectives on corporate mobility and success', *South African Journal of Human Resource Management* 12(1), 1–11. <https://doi.org/10.4102/sajhrm.v12i1.445>
- Poole, D., 2013, 'Theoretical perspectives and the implementation of the BBBEE policy framework', *Mediterranean Journal of Social Sciences* 4(14), 635–642. <https://doi.org/10.5901/mjss.2013.v4n14p635>
- Rawls, J., 1999, *A theory of justice*, rev. edn., Oxford University Press, Oxford.
- Republic of South Africa, 2014, *Broad-Based Black Economic Empowerment Amendment Act, No. 55 of 37271*, Government Printers, Cape Town.
- Reuben, S. & Bobat, S., 2014, 'Constructing racial hierarchies of skill- experiencing affirmative action in a South African organisation: A qualitative review', *South African Journal of Industrial Psychology* 40(1), 1–12. <https://doi.org/10.4102/sajip.v40i1.1158>
- Small Business Project (SBP), 2015, *SME sustainability and growth should be an obsession for job creation in South Africa*, viewed 12 October 2017, from http://www.sbp.org.za/uploads/media/SBP_Alert_-_SME_sustainability_and_growth_01.pdf
- Steyn, L., 2015, 'Small firms hit by new BEE codes', *Mail & Guardian*, 20 March, viewed 25 March 2016, from <http://mg.co.za/article/2015-03-19-small-firms-hit-by-new-bee-codes>
- Tait, L., 2012, 'The potential for local community benefits from wind farms in South Africa', Doctoral dissertation, University of Cape Town, South Africa.
- Thabe, W.S., 2010, 'BEE and Rawlsian justice', Doctoral dissertation, Faculty of Humanities, University of the Witwatersrand, Johannesburg.
- The Banking Association South Africa, 2017, *SME enterprise*, viewed 29 August 2017, from <http://www.banking.org.za/what-we-do/sme/sme-enterprise>
- Theoharis, G., 2007, 'Social justice educational leaders and resistance: Toward a theory of social justice leadership', *Educational Administration Quarterly* 43(2), 221–258. <https://doi.org/10.1177/0013161X06293717>
- Uppal, V., 2014, 'Global experience of black economic empowerment and indigenisation policies. Economic and private sector: Professional Evidence and Applied Knowledge Services, Helpdesk Request', viewed 08 August 2016, from https://assets.publishing.service.gov.uk/media/57a089df5274a31e00002e2/Helpdesk_Response-Global_Experience_of_Black_Economic_Empowerment_and_Indigenisation_Policies.pdf
- Van der Nest, D., 2004, 'The impact of black economic empowerment on the management of small companies in South Africa', Master's dissertation, Rand Afrikaans University, South Africa.
- Van Wyk, H.M., 2010, 'The impact of BBBEE on small and medium sized businesses in the Sedibeng region', Doctoral dissertation, North-West University, South Africa.
- Wehmhoerner, A., 2015, *Correcting the past-losing the future? Black Economic Empowerment in South Africa*, FEPS Studies, viewed 17 January 2017, from <http://www.feps-europe.eu/assets/1afa01d-ba65-40e3-880e-92ae8b6c58e9/20150724-wehmhoerner-correcting-the-past-losing-the-future-pdf>